



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 2/14/2003

GAIN Report #RP3009

Philippines

Product Brief

Pet Food

2003

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Report Highlights:

Philippine imports of pet food continue to climb, with sales in 2002 more than doubling from the year before to nearly \$16 million, up from \$2.9 million just four years ago. The United States is the third largest supplier, with sales of \$4.3 million. While pet ownership has remained mostly steady in recent years, growing awareness of pet nutrition is encouraging a steady shift from table scraps to commercial pet food. U.S. and other foreign multinationals, led by Mars and Nestle, account for most sales although the range of branded pet foods in the market continues to expand. Looking ahead, traders predict modest growth in the near term, with imports expected to approach \$20 million by 2005.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1], RP

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I. Executive Summary

The Philippine market for dog and cat food continues to expand. Fueled by stepped up promotions from marketers emphasizing the nutritional benefits of commercial pet food, imports more than doubled in 2002 to a record \$15.7 million. Australia and Thailand are the top suppliers to the market (with sales of \$5.9 million and \$5.5 million, respectively) followed closely by the United States (\$4.2 million).

Pet food remains a luxury in the Philippines as cost remains out of reach for most Filipinos. An estimated five to seven million Filipinos (out of a population of 75 million) have sufficient incomes to regularly afford imported foods. Pet food marketers report that among the affluent, most owners still rely on table scraps, suggesting further room for growth in the commercial pet food market. Overall, traders expect modest annual growth in the market in the near term, with imports expected to near \$20 million by 2005.

The pet population has been mostly steady in recent years. As of 2002, the Philippine dog and cat population is estimated at 5 million and 5.5 million, respectively. The population includes both pedigreed and non-pedigreed animals. Dogs are the primary beneficiaries of the growing pet food market with the ratio of dog to cat food estimated at 95:5.

Industry experts report while competition is intense, there are significant niche opportunities for new pet foods in the Philippines. Product differentiation is key. Marketing efforts by new-to-market firms channels should include pet food shops and breeders who are interested in and can afford quality pet foods and snacks. Supermarket channels are highly competitive and suppliers of new-to-market products are typically required to provide significant marketing incentives to gain entry.

II. Market Size, Sales and Import Figures

In 2002, the local retail pet food market was valued at an estimated \$80 million. In terms of imports, volumes have been steadily rising since 1995 except for a brief pause during the regional economic crisis in 1998 which reduced consumer spending. However, since 1998, imports have grown fivefold, nearing the \$16 million mark in 2002.

Pet Food Importation

Year	Value	Quantity
1995	\$1,804,351	2,530,953
1996	\$4,635,457	4,418,326
1997	\$4,120,273	3,924,363
1998	\$2,952,515	3,258,748
1999	\$4,426,835	5,315,119
2000	\$7,181,020	10,532,996

2001	\$7,139,045	10,576,893
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2002	\$15,745,650	14,415,400
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(January-November)

***Data from the National Statistics Office**

Imports from the U.S. exports peaked at \$4.76 million in 2000 and have remained roughly unchanged since. Australia and Thailand, which have been posting strong growth since 1999, recorded over US\$5 million in imports for the January-November period of 2002. Most of these products are from U.S. firms and other multinationals. Other suppliers to the market include Canada, China, Taiwan, Germany, Hong Kong, Indonesia, Korea, Malaysia, Singapore, and the British Virgin Islands.

III. Market Players

Major U.S. pet food brands, such as Ralston Purina Co. under Nestle and Mars Co., Inc. are reportedly most popular among local consumers. Other American firms in the market include Iams Co., American Nutrition, Inc., Texas Farm Products Co., Breeder's Choice Pet Food, Midwestern Pet Foods, Inc., Doan International Pet Products, Country Pet Products, Nutra Nuggets, Friskies Pet Care Co., Diamond Pet Foods, Natural Life Pet Products, and Eagle Pet Foods.

A recent development is the rapid increase in sales of private label pet foods, reportedly accounting for a significant portion of the increase in sales last year. One trader remarked that private label pet foods are successfully bringing new consumers into the market by offering significantly lower prices. These products are now widely available in Philippine supermarkets.

IV. Popular Products and Brands

Dog food is by far the most popular pet food accounting for 95 percent of sales. Most Filipinos prefer dogs as pets and thus are more willing to provide in-home care and improved nutrition. Cats are typically kept outside and fed leftovers.

At present, there are roughly 20 brands available in the market and the number continues to grow. Among the more popular brands are *Pedigree* (dog food) and *Whiskas* (dog and cat food) by Mars-owned Master Food Philippines, *Alpo* (dog food) and *Purina* (dog food) by Nestle Philippines, and *Command* (dog and cat food) by Land O' Lakes. All these top brands include products sourced from the United States.

Pedigree and *Alpo* compete head-to-head in the supermarket shelves. *Command*, which has only entered the market last year, is slowly making a name for itself. It is sold through local distributors. Other known brands include *Science Diet*, *Atta Boy*, *American Nutrition*, and *Woof Chunk*. *Atta Boy* and *American Nutrition* are being distributed by U.S. retailer Price Smart which is presently expanding in the Philippines.

V. Prices

There are two types of pet food in terms of nutrition content – 'high-performance' brands (or with high protein content), and those for maintenance. High protein pet food caters specifically to puppies, breeders or show dogs. Prices of these brands range from as low as P900 per 50-pound bag to as high as P1,600. Pet food for maintenance, on the other hand, cost between P650 and P1,300 per 50-pound bag.

Pet food in the Philippines, therefore, is not cheap. The selling point, however, is that it provides superior nutrition and gives the owner the convenience of avoiding tedious mixing of leftover viand. It is dry and therefore, is not messy. Dry pet food is more popular and cheaper compared to canned pet food. Canned brands cost between P60 and P80 for the big size and P35 for the small size.

VI. Recommendations for Market Entry

Exporters interested in penetrating the market are advised to forge partnerships with local firms who can guide them in testing the market. With intense competition for shelf space, it is also imperative to test the acceptability of the products before launching into full-scale distribution.

Marketers should likewise emphasize product differentiation and concentrate on the high-end segment, a smaller portion of the market which can afford more expensive products. These include breeders who have the money to spare for quality pet food brands. Moreover, importers are advised to tap pet food shops and agents as their distribution channels since major brands dominate the supermarket segment.

The Philippines follows the Investments Act for foreign companies who are interested in doing business in the country. There are two ways to enter the market – by setting up their own companies or by partnering with local players.

For foreign firms interested only in export trade, the first step would be to approach experienced agents who know and understand the local market. The next step would be mandatory product registration with the Bureau of Animal Industry of the Department of Agriculture. This process will be handled by the local partner. Product registration requirements include documents from foreign suppliers such as certificate of free sale, certificate of food manufacture practice of the producer, and the distribution agreement between the agent and the foreign company. The government agency would also require product sample for analysis. An application form would also have to be filled up.

Local companies or agents, meanwhile, will provide other necessary documents such as the mayor's permit, corporate papers, value added tax (VAT) registration, list of consultants, laboratories, among others. The label, packaging material and brand name should likewise be cleared. This is to ensure the brand to be offered is not distributed locally or owned by another company. The whole process would take a minimum of 60 days.

VII. Taxes/Tariffs

For pet food products, the government imposes five percent tariff duty and 10 percent value added tax. The Tariff Commission handles the tariff registration.

VIII. Distribution

At present, pet food products are being sold at supermarkets and retail outlets in major cities, pet supply stores and veterinary clinic shops, and through distributors. The retailing business is very lucrative in the Philippines with the penchant of the people to go to malls. Shopping malls are open seven days a week, usually from 10 a.m. to 8 p.m.

Among the popular retail establishments include the SM chain of mall magnate Henry Sy, Robinsons of the Gokongwei group, Rustans of the Tantocos, and Price Smart.

APPENDICES

Sources of Data and Information:

I. Government:

National Statistics Office

P.O. Box 779, Manila, Philippines
(02) 713-7081/715-6430

Department of Agriculture -- Bureau of Animal Industry

Visayas Avenue, Diliman Quezon City
(02) 926-6883/9270971

Department of Agriculture -- Bureau of Agricultural Statistics

Ben-Lor Building, 1184
Quezon Avenue, Quezon City
(02) 371-2050/372-3801

National Statistics Office

P.O. Box 779, Manila, Philippines
(02) 713-7081/715-6430

Department of Agriculture -- Bureau of Animal Industry

Visayas Avenue, Diliman Quezon City
(02) 926-6883/9270971

Department of Trade and Industry

4/F, Industry and Investments Bldg., 385 Sen. Gil Puyat Avenue,
Makati City
(02) 890-4901 to 05

Bureau of Internal Revenue

National Internal Revenue Bldg.
Agham Road, Diliman, Quezon City 1104
(02) 929-7676/981-7000

Tariff Commission

5/F Philippine Heart Center Bldg., East Avenue
Quezon City, Metro Manila
(02) 925-2401 to 50

Securities and Exchange Commission

SEC Building, EDSA 1550

(02) 726-0930 to 39

II. Associations

Philippine Retailers Association

Unit 2610, 26/F Jollibee Plaza
Emerald Ave., Ortigas Center
(02) 687-4180 to 81

Philippine Association of Supermarkets, Inc.

2 N.A. Ramirez St., corner E. Rodriguez Sr., Avenue, Mabuhay Rotonda
1113 Quezon City
(02) 362-8349

Philippine Amalgamated Groceries and Supermarkets Association

2 N.A. Ramirez St., Brgy Don Manuel, Quezon City
(02) 711-1290/732-0509

Statistical Tables:

PET FOOD IMPORTS

2002 (January-November)

Country of Origin	Quantity	Value (in \$)
Total	14,415,400	15,745,650
Australia	4,692,952	5,870,989
Canada	21,546	3,000
China	110,832	34,717
Taiwan	20,045	6,508
Germany	115,626	106,935
Hong Kong	233	100
Indonesia	1,386	964
Korea	417	5,484
Malaysia	25,544	18,130
Singapore	8,384	27,112
Thailand	3,673,822	5,478,588
USA	5,718,876	4,176,154
British Virgin Islands	25,737	16,969

2001

Total	10,756,893	7,139,045
Argentina	160,000	85,280
Australia	2,031,132	1,207,808
Canada	97,537	27,312
China	59,115	88,196
Taiwan	391,968	116,703
Germany	41,290	20,148
Hong Kong	650	1,115
Japan	597	384
Korea	55,600	29,192
Malaysia	12,186	5,875
Netherlands	30,500	26,038
Singapore	61,853	22,680
Spain	485	489
Thailand	2,039,146	1,201,202
USA	5,593,224	4,305,778
US Oceania	1,610	845

2000

Total	10,532,996	7,181,020
Australia	677,074	465,131
Belgium	16,000	20,704
Canada	24,151	11,573
France	2,680	6,099
Germany	4,143	14,168
Indonesia	875	940
Japan	1,097	648
Malaysia	29,364	9,063
Netherlands	254,875	144,647
Singapore	26,387	9,408
Spain	2,400	33,750
Thailand	2,666,638	1,643,335
Pacific Trust Territory	39,000	55,239
USA	6,788,312	4,766,015

1999

Total	5,315,119	4,426,835
Australia	511,608	292,442
Canada	53,427	15,139
China	178,830	277,324
France	40,972	24,515
Germany	1,464	1,142

Japan (excluding Okinawa)	202	206
Singapore	3,410	2,709
Spain	46,000	32,920
Thailand	243,987	211,968
UK Great Britain and N. Ireland	6,000	4,980
USA	4,229,219	3,563,490

1998

Total	3,258,748	2,952,515
Australia	71,825	60,909
Canada	68,509	23,634
Taiwan	513	544
France	35,624	23,059
Germany	23,132	15,183
Singapore	230,219	263,629
Thailand	257	449
USA	2,828,669	2,565,108

1997

Total	3,924,363	4,120,273
Australia	40,261	51,149
Belgium	2,400	1,696
Canada	1,835	700
Taiwan	1,081	1,757
France	45,971	20,465
Germany	10,578	4,901
Japan (excluding Okinawa)	207,584	160,984
Singapore	102,706	128,757
UK Great Britain and N. Ireland	6,066	9,378
USA	3,505,881	4,120,273

1996

Total	4,418,326	4,635,457
Australia	233,430	245,208
France	10,505	8,558
Germany	11,967	8,558
Hong Kong	3,526	9,625
Taiwan	56,901	58,042
Thailand	10,271	6,593
UK Great Britain and N. Ireland	525	987
USA	4,091,201	4,297,886

1995

Total	2,530,953	1,804,351
Australia	35,922	36,787
France	50,704	39,934
Germany	11,047	11,589
Hong Kong	852,660	427,510
Netherlands	83,525	49,490
Taiwan	312,104	122,622
USA	1,184,991	1,116,419